

Message Text

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ORIGIN TRSE-00

INFO OCT-01 EUR-25 ISO-00 EB-11 LAB-06 SIL-01 CIEP-02

STR-08 JUSE-00 SCI-06 AID-20 COME-00 CEA-02 CIAE-00

EA-11 FRB-02 INR-10 IO-14 NEA-10 NSAE-00 RSC-01

OPIC-12 SPC-03 OMB-01 NSC-10 SS-20 L-03 /179 R

DRAFTED BY TREAS:JFALL

APPROVED BY EUR/RPE:AKATZ

EUR/RPE:FKINNELLY

EB/IFD/OIA:CNELLIS

LABOR:PHEISS EUR/RPE:MLEVINE

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SCI:JBIRCH COMMERCE:DARRILL

AID:DDULAVEY (SUBS)

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R 151823Z JAN 74

FM SECSTATE WASHDC

TO USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: EFIN, ELAB, OECD

SUBJECT: FUTURE OECD WORK ON ACTIVITIES OF MULTINATIONAL
ENTERPRISES

REF: C(73) 216, O CD PARIS 32393

1. IN EXECUTIVE COMMITTEE AND COUNCIL DISCUSSION OF
DIRECTIONS TO BE GIVEN TO VARIOUS OECD COMMITTEES FOR
FURTHER RESEARCH AND STUDY OF THE ACTIVITIES OF MULTINA-
TIONAL ENTERPRISES, THE MISSION SHOULD BE GUIDED BY
FOLLOWING CONSIDERATIONS.

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2. WE BELIEVE THAT C(73) 216 ACCURATELY REFLECTS XCSS DESIRE THAT ON-GOING WORK ON MNC ACTIVITY IN THE SPECIALIZED OECD COMMITTEES WILL BE FULLY COORDINATED WITH THE OVERALL XCSS INVESTMENT EFFORT. WE ARE PLEASED BY ARRANGEMENTS BEING MADE WITHIN THE SECRETARIAT TO ORGANIZE ITS WORK ON MNCS AND TO ENSURE THAT WORK IN THE SPECIALIZED COMMITTEES IS SUPPORTIVE OF THE XCSS EFFORT.

3. ON THE WHOLE, RECOMMENDATIONS FOR FURTHER WORK WITHIN THE VARIOUS COMMITTEES ARE CONSISTENT WITH CURRENT U.S. POSITION. GIVEN THE COMPLEXITY AND SENSITIVITY OF MNC ISSUES, WORK PROGRAM APPEARS WELL-SUITED TO PROMOTE DETAILED AND FAIR APPRAISAL OF THE RELEVANT ISSUES, AND TO PRESERVE AN INTERNATIONALLY RECOGNIZABLE MOMENTUM. ACCORDINGLY, MISSION AUTHORIZED APPROVE DRAFT ENTRY IN COUNCIL MINUTES ALONG LINES OF ANNEX TO REFDOK AND TO SUPPORT RECOMMENDATIONS IN INDIVIDUAL ACTION PARAGRAPHS OF SEC-GEN'S NOTE WITH EXCEPTIONS NOTED BELOW.

4. THE USG SUPPORTS EXPANDED UNDERSTANDING OF THE IMPACT OF MNC'S ON INTERNATIONAL TRADE, INVESTMENT AND CAPITAL FLOWS AND WOULD SUPPORT IMPROVEMENTS IN DATA COLLECTION ON RELEVANT ASPECTS OF MNC ACTIVITY. IT SHOULD BE RECOGNIZED THAT MUCH USEFUL DATA ON MNCS HAVE BEEN PROVIDED BY U.S. AND A NUMBER OF OTHER GOVERNMENTS AND ARE AVAILABLE ALSO FROM ACADEMIC SOURCES. IN ORDER THAT THERE BE A PROPERLY BALANCED AND HARMONIZED STATISTICAL SYSTEM, SUCH AS THAT ENVISIONED IN PARA. 7-9, REQUESTS FOR DATA SHOULD BE GEARED TO SPECIFIC ISSUES ON WHICH DETAILED INFORMATION IS NEEDED TO ARRIVE AT POLICY JUDGEMENTS. DEVELOPMENT OF SUCH INFORMATION MUST ALSO RECOGNIZE THE LIMITATIONS INHERENT IN NEED TO RESPECT CORPORATE CONFIDENTIALITY. IN DISCUSSING THIS PROPOSAL, MISSION SHOULD REMEMBER THAT THERE MAY BE LIMITS IN RESPECT OF TIMING AND POSSIBLE NEED FOR LEGISLATIVE AUTHORITY CONCERNING THE SUPPLY OF DATA BY USG BEYOND WHAT IS CURRENTLY AVAILABLE. (REQUESTS FOR NEW DATA WOULD HAVE TO BE REVIEWED IN LIGHT OF AUTHORITY UNDER BRETTON WOODS ACT TO REQUIRE DATA.) ANY PROGRAM REQUIRING MASSIVE COLLECTION OF NEW DATA WOULD ENTAIL EXTENSIVE LIMITED OFFICIAL USE

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INTERNAL USG REVIEW BEFORE APPROVAL COULD BE GRANTED.

5. WE AGREE WITH REALISTIC VIEW (PARA. 9) OF DIFFICULTY AND LOW PRIORITY OF DEFINING NATURE OF MNC'S.

6. WE DO NOT FAVOR REFDOK RECOMMENDATION IN PARAS. 10-11 REGARDING MNC'S AND SHORT-TERM CAPITAL MOVEMENTS THAT COMMITTEE FOR MONETARY AND FOREIGN EXCHANGE MATTERS

(CMF) EXPLORE FEASIBILITY OF ESTABLISHING "SPECIAL SYSTEM OF STATISTICAL INFORMATION" IN OECD MEMBER COUNTRIES "TO IDENTIFY THE TRANSACTIONS MADE BY MULTINATIONAL ENTERPRISES AND THUS TO DETERMINE THEIR SIGNIFICANCE." IN ANY EVENT, GIVEN SIMILAR OR RELATED WORK PRESENTLY GOING FORWARD IN OTHER COMMITTEES OF THE OECD AND IN OTHER INTERNATIONAL BODIES AND PURPOSES FOR WHICH CMF ESTABLISHED, WE QUESTION SELECTION OF CMF AS FORUM TO LOOK INTO ISSUES IN THIS AREA.

7. WE BELIEVE THAT SHORT-TERM CAPITAL MOVEMENTS RELATED TO ANTICIPATIONS OF POSSIBLE CHANGES IN EXCHANGE RATES ARE COMPLEX PHENOMENA IN WHICH LEGITIMATE HEDGING OPERATIONS ARE DIFFICULT TO SEPARATE FROM SPECULATIVE MOVEMENTS MOTIVATED SOLELY BY HOPES OF REAPING CAPITAL

GAINS. SINGLING OUT MNC'S FOR SPECIAL STUDY CARRIES IMPLICATION THAT MNC'S SOMEHOW ARE ESSENTIALLY DIFFERENT THAN OTHERS (E.G. GOVERNMENTS, BANKS, NON-MNC CORPORATIONS, INDIVIDUALS WITHIN AND WITHOUT OECD MEMBER COUNTRIES). WE BELIEVE THIS IMPLICATION IS INCORRECT AND DO NOT WISH TO SEE STUDIES OF PROBLEM OF SHORT-TERM CAPITAL MOVEMENTS UNNECESSARILY FRAGMENTED. IN GENERAL WE BELIEVE THAT THE FUNDAMENTAL APPROACH TO SHORT-TERM CAPITAL FLOW PROBLEM IS TO ESTABLISH A SMOOTHLY FUNCTIONING AND RESPONSIVE MONETARY SYSTEM WHICH WOULD AVOID THE CREATION OF THE KIND OF LARGE PAYMENTS IMBALANCES WHICH TEND TO FEED SPECULATION.

8. WE AGREE THAT ADDITIONAL INFORMATION ON BALANCE OF PAYMENTS DATA GAPS ON SHORT-TERM CAPITAL MOVEMENTS IS DESIRABLE AND THAT INDIVIDUAL MEMBER GOVERNMENTS MAY WISH TO PROFIT FROM THE EXPERIENCE OF OTHER MEMBERS IN CONSILIMATED OFFICIAL USE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUSINESS FIRMS, EXECUTIVE COMMITTEE, MEETING PROCEEDINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE008598
Document Source: CORE
Document Unique ID: 00
Drafter: JFALL
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740140/aaaablsz.tel
Line Count: 145
Locator: TEXT ON-LINE
Office: ORIGIN TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: C(73) 216, O CD PARIS 32393
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 24 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 APR 2002 by boyleja>; APPROVED <23 MAY 2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FUTURE OECD WORK ON ACTIVITIES OF MULTINATIONAL ENTERPRISES
TAGS: EFIN, ELAB, XX, OECD
To: OECD PARIS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005